

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CIAE-00 COME-00  
INR-10 LAB-04 NSAE-00 SP-02 STR-07 TRSE-00 FRB-03  
OMB-01 L-03 /062 W  
-----059610 170524Z /11  
P R 170500Z FEB 78  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC PRIORITY 9365  
INFO USMISSION GENEVA

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GENEVA FOR PHELAN FROM SMITH

FROM US TEXTILE DELEGATION

E.O. 11652: N/A  
TAGS: ETRD, KS  
SUBJECT: TEXTILES: ROKG/USG BILATERAL TEXTILE NEGOTIATIONS

US AND KOREAN TEXTILE OFFICIALS HELD CONSULTATIONS FEB. 16  
AND 17 COVERING FOLLOWING ITEMS.

A) TECHNICAL CORRECTION OF 643 UNIT DESIGNATION.

B) TECHNICAL CORRECTION OF 445/446 CONVERSION FACTOR. ON  
BOTH A AND B, TWO GOVERNMENTS ARE AGREED THAT NECESSARY  
TECHNICAL CHANGES SHOULD BE MADE. US SIDE WILL PREPARE  
NECESSARY DOCUMENTS TO BE TRANSMITTED TO ROKG EMBASSY IN  
WASHINGTON.

C) LEATHER PATCH APPAREL. ROKG AGAIN RAISED MATTER OF  
LEATHER PATCH APPAREL AND QUESTION OF YARDAGE THEY CLAIM  
THEY LOST WHEN LEATHER PATCH APPAREL WAS CHARGED TO TEX-  
TILE QUOTAS. ROKG GAVE US A PROPOSAL WHICH DELEGATION  
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IS CARRYING WITH IT AND WHICH WILL BE RESPONDED TO IN  
WRITING FROM WASHINGTON LATER THIS MONTH.

D) COUNTERVAILING PETITION BY AMALGAMATED CLOTHING UNION.  
KOREANS EXPRESSED STRONG CONCERN REGARDING THE COUNTER-  
VAILING PETITION FILED BY THE ACTWU. ROKG INITIALLY TRIED  
TO MAKE CLAIM THAT ARTICLE 9 (1) OF THE MFA PRECLUDED SUCH

ACTION. US SIDE REBUTTED THAT ARGUMENT POINTING OUT THAT ANY ASSOCIATION OR UNION UNDER 1974 TRADE ACT COULD FILE SUCH A PETITION REGARDLESS OF THE MFA. US SIDE ALSO POINTED OUT THAT THE US GOVERNMENT'S ROLE IN THIS PETITION ACTION INVOLVES ONLY PROCEDURAL COMPLIANCE WITH TRADE ACT AND THE USG NEITHER SUPPORTS NOR OPPOSES THE AMALGAMATED'S SUIT. WE BELIEVE THAT THE MORE SOPHISTICATED ROKG TEXTILE OFFICIALS UNDERSTAND THE SITUATION BUT IT REMAINS A MATTER OF GROWING CONCERN TO BOTH THE ROKG AND THE KOREAN TEXTILE INDUSTRY.

E) FELT LINERS. THE ROKG ONCE AGAIN RAISED THE MATTER OF THE FELT LINERS AND THE RELATIONSHIP OF FELT LINER QUOTA BETWEEN THE SHOE QMA AND THE TEXTILE BILATERAL. ROKG WILL PRESENT A PROPOSAL TO HANDLE THIS MATTER THROUGH THEIR EMBASSY IN WASHINGTON. US SIDE UNDERTOOK TO EXAMINE THIS PROPOSAL AND TO COORDINATE A RESPONSE WITH USG OFFICIALS INVOLVED IN SHOE NEGOTIATIONS.

F) CATEGORY 640. ROKG REQUESTED THE SUBLIMITS ON CATEGORY 640 BE ELIMINATED. US DELEGATION REFUSED.

G) CATEGORY 440. THE TWO SIDES WERE UNABLE TO REACH AN AGREEMENT ON CATEGORY 440. THE INITIAL ROKG POSITION WAS FOR A SPECIFIC LIMIT TO BE ESTABLISHED AT THE 1977 YEAR ENDING TRADE LEVEL, I.E. SOMEWHERE BETWEEN 250,000 AND 266,000 DOZEN. THE ROKG TODAY MODIFIED THAT POSITION SOME-

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WHAT BY PROPOSING A 1978 LEVEL TO BE THE AVERAGE OF THE US YEAR ENDING SEPTEMBER 1977 FIGURE WITH THE ROKG'S YEAR ENDING SEPTEMBER 1977, I.E. 230,000 DOZEN. USG POSITION WAS TO MAINTAIN THE TEMPORARY FIGURE INFORMALLY AGREED TO IN GENEVA IN DECEMBER 1977 OF 185,000 DOZEN. US SIDE POINTED OUT THE SENSITIVITY OF THIS CATEGORY, THE VERY HIGH I/P RATIO, THE REPORTED LOW COST OF CATEGORY 440 EXPORTS AND OF COURSE THE ULLMAN LETTER. UNLESS THERE IS A SUDDEN CHANGE IN THE KOREAN POSITION THIS EVENING, IT IS LIKELY THAT THE OUTCOME WILL BE THAT THE TWO SIDES WILL AGREE TO DISAGREE AND THAT THE KOREANS WILL HAVE TO TAKE THE 185,000 DOZEN FIGURE UNTIL THE TWO SIDES CAN MEET AGAIN. ROKG HAS TOLD US DELEGATION THAT THEY HAVE ALLOCATED ON THE BASIS OF THE GENEVA FIGURE AND HENCE THIS SHOULD NOT BE A PROBLEM FOR THEM IN THE SHORT TERM.

AGAIN, WE BELIEVE THE TOP ROKG TEXTILE OFFICIALS ARE AWARE OF AND IMPRESSED BY THE SERIOUSNESS OF THE SITUATION IN CATEGORY 440, BUT THEY OBVIOUSLY HAVE SOME PROBLEMS WITH THEIR INDUSTRY ADVISORS, PROBLEMS WHICH THUS FAR THEY HAVE NOT BEEN ABLE TO SOLVE TO THE US DELEGATION'S SATISFACTION. AT THE SAME TIME, THE US SIDE'S FLEXIBILITY IS OBVIOUSLY

QUITE LIMITED IN THIS CASE TAKING INTO ACCOUNT THE INTENSE  
DOMESTIC PRESSURE THAT HAS BEEN BROUGHT TO BEAR.  
STERN

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXTILES, NEGOTIATIONS  
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**Executive Order:** N/A  
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**Review Markings:**  
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